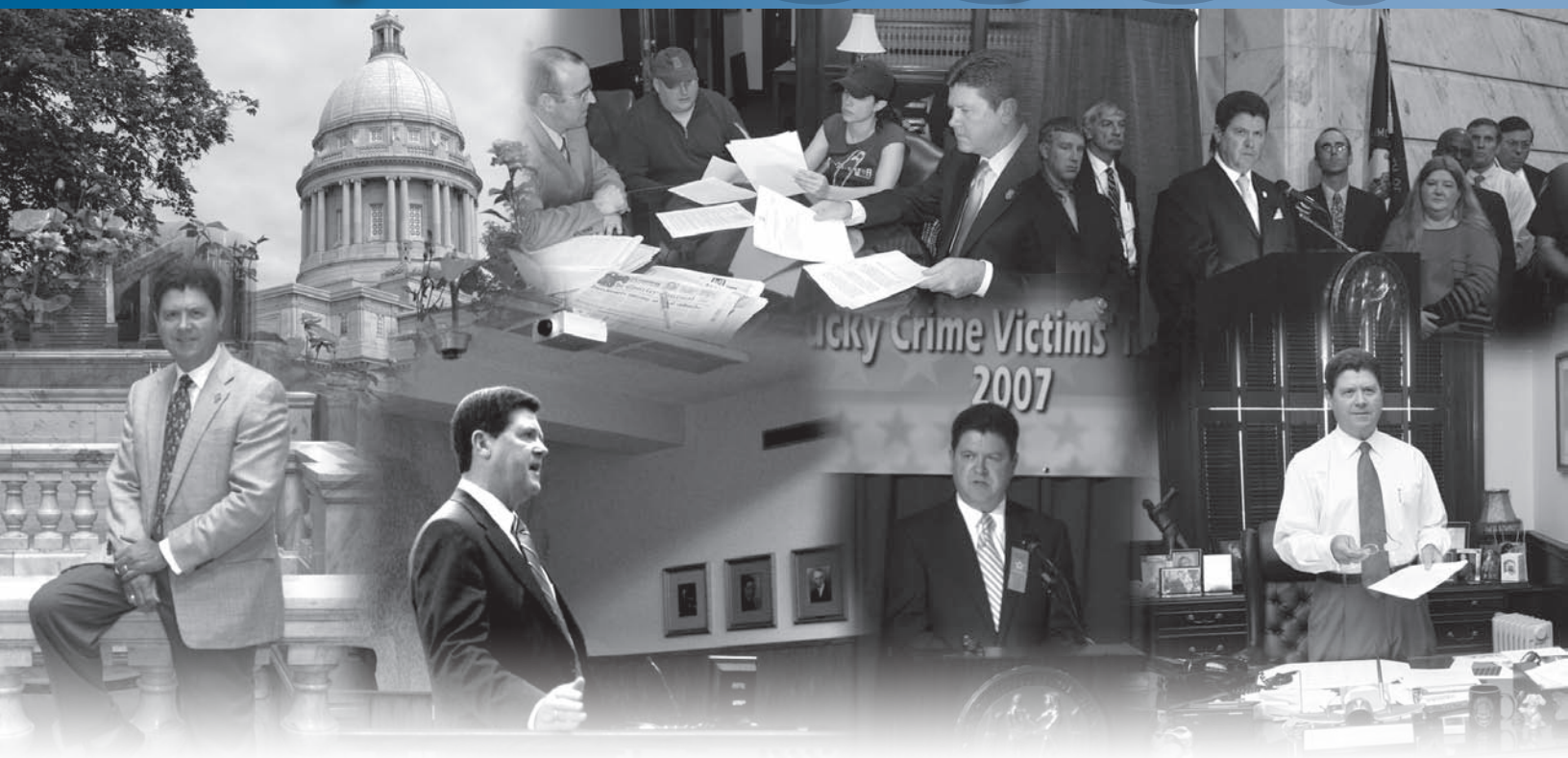


A collage of images featuring Gregory D. Stumbo, the Attorney General of North Carolina. The images show him in various professional and public settings: speaking at a podium with a North Carolina seal, shaking hands with an older man, standing next to a man in a suit, and interacting with a group of people. A sign in the background reads "ATTORNEY GENERAL GREGORY D. STUMBO". Another sign mentions "IDENTITY THEFT THE NAME GAME". A third sign lists "MARATHON OIL CORPORATION", "MARATHON PETROLEUM COMPANY, LLC", and "SPEEDWAY SUPERAMERICA, LLC". A fourth sign asks "WHY AM I BEING SUED?". The collage is set against a blue background with a white circular border.



A Message from the Attorney General



Dear Fellow Kentuckians:

It has been an honor and a privilege to serve as your Attorney General for the past four years. I want to thank everyone who has helped us fulfill our mission and achieve our goals. I especially want to extend my heartfelt thanks to all those in the Office of the Attorney General who have worked so hard and so tirelessly to protect each and every one of you from society's predators.

I hope that after reading this report, you will agree that we have aggressively prosecuted the guilty and protected the innocent. We established the Kentucky Bureau of Investigation (KBI) to crack down on drug crime and assist in other investigations, and I'm proud to report that the KBI has succeeded beyond my most optimistic expectations.

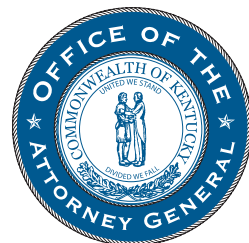
I'm especially proud that we have made significant inroads in curtailing the drug epidemic that has ravaged so many of our communities and families; established new policies to address the growing problem of internet crime; filed important lawsuits against large corporations for unethical business practices; and not shied away from cases involving corruption by public officials.

On behalf of everyone in the Office of the Attorney General, I thank you for giving us the opportunity to serve. I sincerely hope that our efforts have contributed in some small way to putting a human face on state government and making the victims of crime feel that their voices have been heard.

Sincerely,

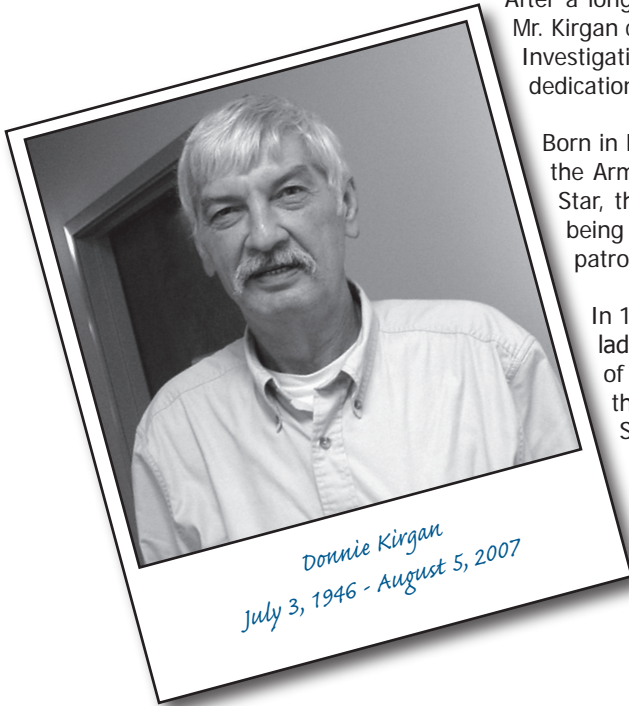


Attorney General Gregory D. Stumbo



In Memoriam

Donnie D. Kirgan



After a long and distinguished career in law-enforcement, mostly with the Louisville police force, Mr. Kirgan came out of retirement in 2004 to take a job with the newly-formed Kentucky Bureau of Investigation, where he specialized in Public Corruption and Special Prosecution cases. His great dedication to criminal justice was essential in establishing this new law enforcement agency.

Born in Edmonton, Ky., Mr. Kirgan graduated from Metcalfe County High in 1965. He enlisted in the Army two years later and was sent to Vietnam, where his service earned him the Bronze Star, the Purple Heart, and an Army Commendation medal with a "V" device for valor. After being honorably discharged, Mr. Kirgan joined the Kentucky State Police and was assigned to patrol Meade and Hardin Counties.

In 1973, he moved to the Jefferson County Police Department. As he worked his way up the ladder, Mr. Kirgan's assignments included beat officer, motorcycle officer, shift commander of EMS, sergeant platoon commander of the Special Services Division, street supervisor of the Burglary Intelligence Unit, commander of the Violent Crimes Unit, commander of the Special Investigations Unit, and commander of the Metro Narcotics Division.

Mr. Kirgan held the rank of major when he retired from the newly merged Louisville and Jefferson County police departments in 1996.

Kenneth Elwood "Dave" Champion

Mr. Champion, a field investigator in the Child Support Division of the Attorney General's office, was aptly named, considering that he was a champion to all the youngsters with whom he came in contact. He was instrumental in the formation of the Knott County Little League Association and the Knott County Youth Foundation.

A native of McRoberts, Ky., Mr. Champion attended Hindman High School, where he played on the baseball team for four years and fell in love with the drums. Beginning in high school, he played in various bands for many years. After graduating in 1973, Mr. Champion attended Hazard Community College for two years and worked as a dispatcher at the Hazard post of the Kentucky State Police.

In 1984, he married Daphne Risner Slone and became stepfather to her daughter, Christy. On June, 28, 1994, he and Daphne became the parents of a son, Kenneth Gregory.

A family member said this of Mr. Champion's time in the Attorney General's Child Support Enforcement Commission:

"Not surprisingly, he found this job very satisfying, his concern for children was paramount. Once a woman called 'Dave' and thanked him, saying 'Because of you, my children had a choice of bacon or sausage today.'"

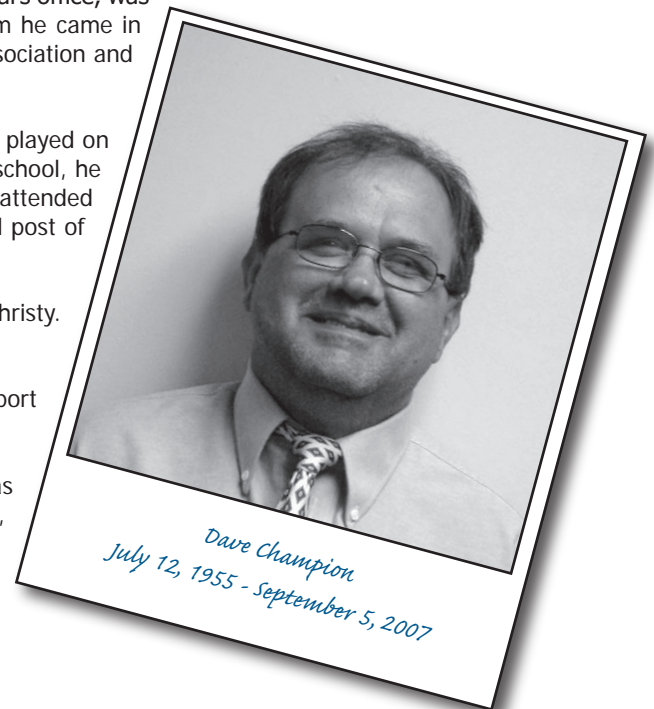


Table of Contents

Overview	4
History of the Office of the Attorney General	6
Front Office & Administrative Services.....	7
Kentucky Bureau of Investigation	8
KBI Drug Arrests Map	10
Medicaid Fraud & Abuse Control Division.....	11
Internet Pharmacy Interdiction.....	12
Office of Consumer Protection	14
Child Support Enforcement Commission	16
Office of Victims Advocacy	17
Office of Prosecutors Advisory Council	18
Office of Rate Intervention.....	19
Office of Civil & Environmental Law	20
Office of Criminal Appeals	22
Administrative Hearings Division.....	23
Special Prosecutions Division.....	24
Field Offices.....	26

Attorney General Greg Stumbo acknowledges Billy Reed and Paul Dmytrewycz and other Office staff for their hard work compiling and designing this Biennium Report.

Overview



"Each time a man stands up for an ideal, or acts to improve the lot of others, or strikes out against injustice, he sends forth a tiny ripple of hope, and crossing each other from a million centers of energy and daring, those ripples build a current which can sweep down the mightiest walls of oppression and resistance."

-- Robert F. Kennedy, June 7, 1966

Few elected office-holders in Kentucky's history have sent forth as many ripples of hope as Gregory D. Stumbo, who has truly been "the people's lawyer" during his four years as Attorney General.

Elected in 2003 after a long and distinguished career in the Kentucky State House of Representatives, Attorney General Stumbo has crusaded tirelessly to protect the Commonwealth's citizens from civil and criminal misconduct. He has been especially vigilant in prosecuting those who try to prey on the most vulnerable among us, the young and the elderly.

In addition to being the Commonwealth's top law enforcement officer, the Attorney General is also the watchdog and advocate for victims of public corruption, consumer fraud and Medicaid fraud and abuse. The Office of the Attorney General handles cases concerning civil and environmental law, and intervenes on the public's behalf when utilities request rate increases.

General Stumbo started public service as Assistant Floyd County Attorney, Martin City Attorney, and Trial Commissioner to the Floyd County District Court. In 1979, he was elected to the first of 12 consecutive two-year terms as the State Representative from Floyd County. In 1985, he became the youngest Majority Floor Leader in the nation, a position to which he was elected to an unprecedented 10th term in 2003. Later that year, Stumbo ran for Attorney General and was one of few Democrats to win elective office in the landslide that made Ernie Fletcher the first Republican Governor in 32 years.

Under General Stumbo, the Office of the Attorney General battled successfully on several fronts. Early in his administration, in order to improve efficiency and save resources, General Stumbo instituted the Kentucky Bureau of Investigation (KBI). KBI agents conduct investigations and "sting operations" involving the sale of illegal drugs, child sexual exploitation, rogue internet pharmacies, and public corruption.

In the 2005-2007 Biennium, the Office of the Attorney General:

- Successfully prosecuted a \$7.5 million lawsuit against national used-car-dealership-franchisor J.D. Byrider;
- Sued the manufacturer of OxyContin for creating hundreds of drug addicts in Kentucky;
- Became the first in the nation to sue a major oil refinery for price gouging by filing an \$89 million lawsuit against Marathon Petroleum and retail subsidiary Speedway SuperAmerica for gasoline price-gouging practices in the wake of hurricanes Katrina and Rita;
- Drafted legislation to protect consumers against Identity Theft;
- Provided protection for the families of victims of Flight 5191 by requiring lawyers to comply with the "Aviation Disaster Family Assistance Act of 1996" which protects families from unsolicited communication for 45 days after their loss;
- Negotiated a Homeland Security Agreement as part of a component of the merger of AT&T, Inc. and Bellsouth Corporation. This Agreement provides for upgraded services to the Kentucky Department of Homeland Security to enhance protections for Kentucky citizens;
- Collected almost \$890,000 for Kentucky consumers in national multistate litigation against Ameriquest Mortgage Company;
- Fought to insure fair and honest elections by demanding the makers of electronic voting machines correct security flaws identified in an independent review by experts in California;
- Issued a consumer alert to Kentucky veterans and their families following the theft of 26.5 million veterans' personal data;
- Worked with Mothers Against Drunk Driving (MADD) and local governments to put out the first manual about DUI arrests and prosecutions;
- Conducted successful online child sexual predator sting operations in Louisville, Northern Kentucky, and Bowling Green that resulted in the arrest of 29 men; and
- Saved the ratepayers \$143 million by appearing before the Public Service Commission to contest rate increases by electric, gas and water companies.
- Conducted a "dumpster diving" investigation of several companies in Louisville, Frankfort, Florence and Bowling Green, and turned up evidence that more than 30 of those businesses had violated state laws about safeguarding personal information that could be used for identity theft.

Attorney General Stumbo's time in office has been strictly governed by the principle that everyone is equal before the law and deserves equal protection under the law. He would agree with another native Kentuckian, Abraham Lincoln, who said in 1860, "Let us have faith that right makes might, and, in that faith, let us, to the end, dare to do our duty as we understand it."



History of the Office of the Attorney General



Attorney General Greg Stumbo joins a long list of distinguished public servants who have served as Kentucky's Attorney General. The roster includes Steve Beshear, who was elected Governor on November 6, 2007. Beshear, who served as Attorney General from 1979-1983 in the administration of Governor John Y. Brown Jr., became the first former AG to be elected Governor since William S. Taylor, who was serving as Attorney General when he was elected Governor in 1899.

Beginning with the Commonwealth's first Attorney General, George Nicholas in 1792, the holder of the office has served as Kentucky's chief prosecutor and law enforcement officer. Through the years, the job has expanded to include a wide range of responsibilities, including consumer and environmental protection. In 1992, the General Assembly amended the state constitution to permit the Attorney General to serve two consecutive terms.

Some of the best known former Attorneys General of Kentucky are John Breckinridge (1795-1797), who later was elected to the U.S. Senate and served as U.S. Attorney General; Solomon P. Sharp (1821-1825), who was elected to the U.S. House of Representatives; John Marshall Harlan (1861-1865), who later became an associate justice of the U.S. Supreme Court; M.M. Logan (1916-1917), who was elected to the U.S. Senate; John Bayne Breckinridge (1960-1964 and 1968-1972), who was later elected to the U.S. House of Representatives; Robert F. Stephens (1976-1980), who later became Chief Justice of the Kentucky Supreme Court; and Ben Chandler (1994-2003), who was elected to the U.S. House of Representatives in 2004.

General Stumbo will be succeeded by Jack Conway of Louisville, who assumes office on January 7, 2008.

Front Office & Administrative Services

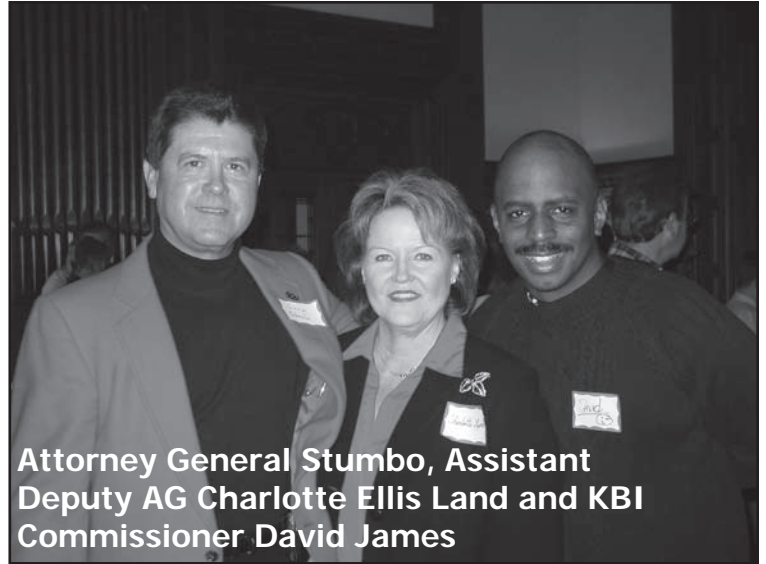
Pierce Whites is Deputy Attorney General in charge of overseeing day-to-day operations of the Office of the Attorney General. Whites also chairs the Attorney General's Internet Drug Task Force.

Charlotte Ellis Land, Assistant Deputy Attorney General, has been Chief of Staff to Greg Stumbo since his days as the Majority Floor Leader of the House of Representatives. Land has been instrumental in the personnel and public relations activities of the Office of the Attorney General.

Janet Graham, along with the staff of the Prosecutors Advisory Council, administers the needs of the Commonwealth's prosecutors. Graham has been an employee of the Office of the Attorney General since 1996.

Corey Lyndon Bellamy, Sr. serves as Executive Advisor and Communications Director for media relations for the Office of the Attorney General. Bellamy has worked in state government for sixteen years. He has been employed with the Office since 1995.

Bonnie Howell is the Director of the Administrative Services Division. Her Division is responsible for all administrative and personnel affairs for the Office, including payroll, health insurance and retirement plans.



Attorney General Stumbo, Assistant Deputy AG Charlotte Ellis Land and KBI Commissioner David James



Attorney General Stumbo with Assistant Attorney General Janet Graham



Kentucky Bureau of Investigation

Mission

The Kentucky Bureau of Investigation (KBI) is the investigative arm of the Office of the Attorney General. Its mission is to maintain law and order, and protect life and property, by employing state-of-the-art investigative resources and informational services to the Commonwealth's justice community.

Significant Achievements

Kentucky is at the forefront of the fight against illegal internet sales of controlled substances. Attorney General Greg Stumbo and the KBI managed to virtually eradicate such sales in the Commonwealth through active investigation and drug seizures. KBI was able to provide instruction to other law enforcement officers in Kentucky and throughout the nation in the most effective way to fight this problem. Kentucky is a model for other states in the eradication of illegal drug shipping.



Commissioner James and Attorney General Stumbo with Dateline NBC's Chris Hansen

Internet Child Sexual Predator Stings

The Office of the Attorney General conducted three very successful undercover child sexual predator stings in 2006 and 2007. The stings were conducted in Louisville, Highland Heights and Bowling Green, with the cooperation of local police and prosecutors. Twenty-nine perpetrators were arrested for attempted unlawful transaction with a minor and other crimes.

The predators engaged in explicit on-line "chats" with volunteers from the watchdog group, Perverted Justice, who were posing as children. Dateline NBC's "To Catch a Predator" series filmed the Bowling Green sting operation, with the participation of series host Chris Hansen.

Both state and federal prosecutors are now working to see that these perpetrators are prosecuted to the fullest extent of the law. The Office of the Attorney General also continues to conduct educational programs to teach children and parents about internet safety.

Voter Fraud

In May, 2006, the Bath County Clerk requested KBI assistance in a case regarding possible voter fraud. After an investigation conducted jointly by the KBI, the FBI and the U.S. Attorney's Office, eight individuals were arrested and indicted on multiple counts of buying votes and fraudulently assisting voters.

Biennium Scorecard

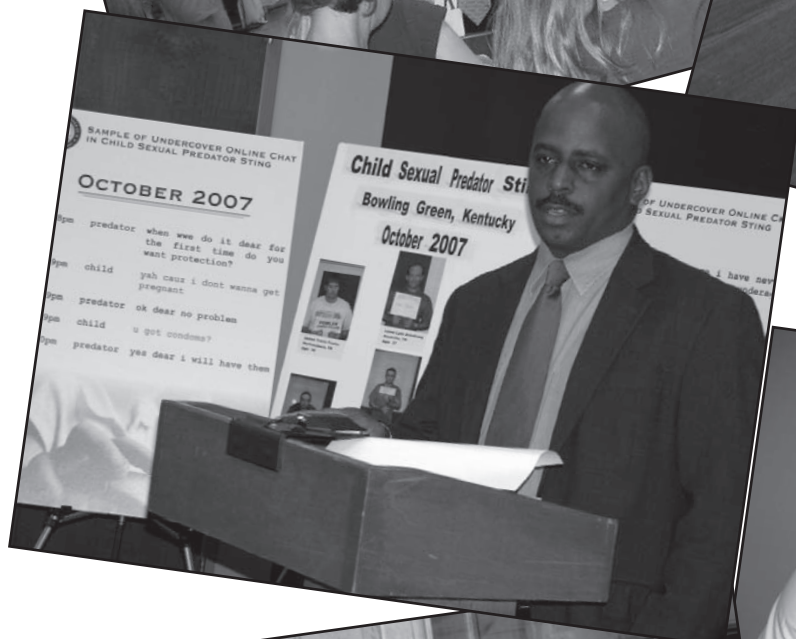
The Drug Investigations Branch opened 336 investigations and closed 246, with 44 being closed with disposition, and obtained 47 indictments with 132 counts and 124 arrests on 459 counts. The Identity Theft Hotline received 590 complaints that resulted in 10 investigations. The Public Corruption/Special Investigations Branch has opened 130 investigations and closed 70, with 27 being closed to disposition, and obtained 35 indictments with 230 counts, 40 arrests with 81 counts, and collected \$16,982 in criminal restitution. The Welfare Fraud Branch adjudicated 89 cases representing a fraud amount of \$978,561.80.



Attorney General Stumbo hands out KBI Junior Agent badges at the 2007 Kentucky State Fair



Drug shipments seized by the KBI

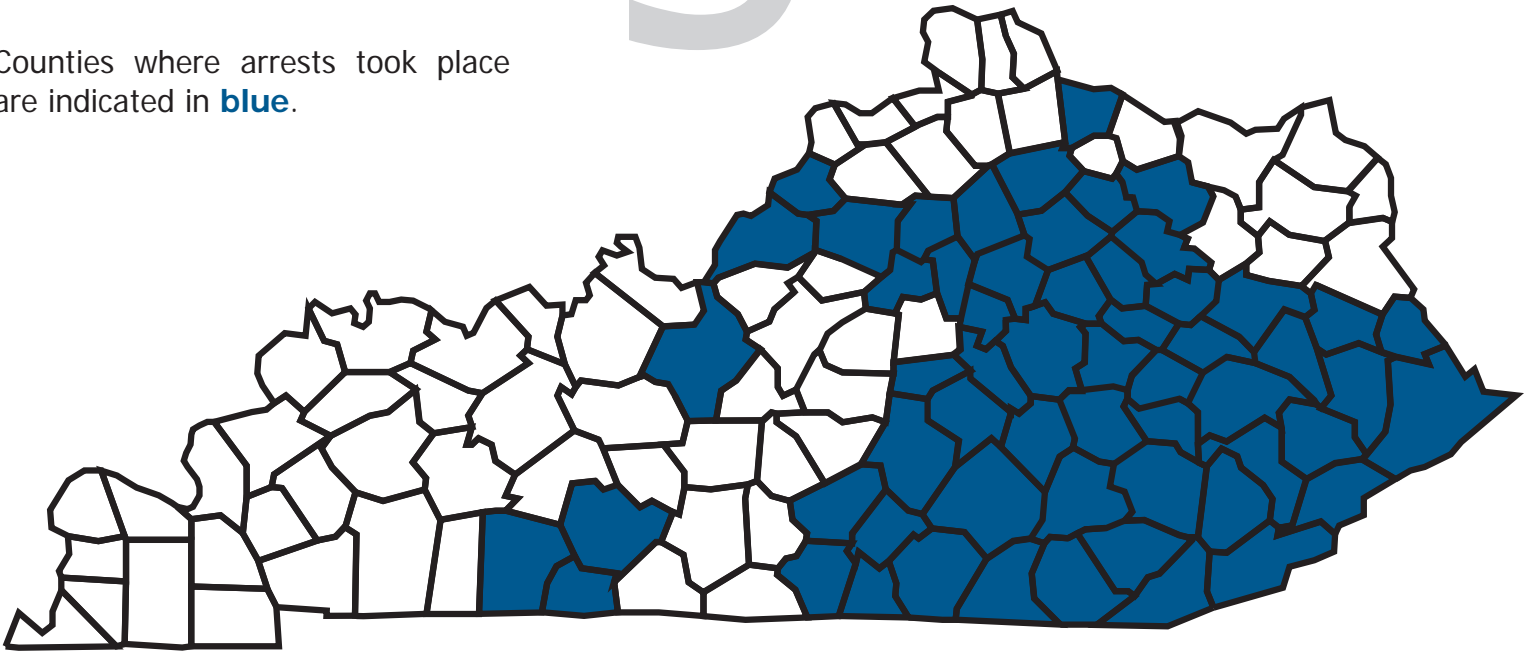


Child Sexual Predator Sting
Bowling Green, Kentucky
October 2007



KBI Drug Arrests Map

Counties where arrests took place are indicated in **blue**.



The KBI tracks drug enforcement arrests by county. These arrests have been on charges ranging from "Obtaining a Controlled Substance by Fraud" to "Trafficking in a Controlled Substance" to "Possession of a Controlled Substance." Many arrests and seizures were the result of investigations into unlicensed Internet pharmacies. Some arrests were made with the assistance of the Office of National Drug Control Policy through its High-Intensity Drug Trafficking Areas (HIDTA) program. The KBI has recorded drug busts in the following counties:

Adair
Anderson
Bath
Bell
Bourbon
Boyle
Bracken
Breathitt
Casey
Clark
Clay
Clinton
Cumberland
Estill
Fayette

Fleming
Floyd
Franklin
Garrard
Hardin
Harlan
Harrison
Jackson
Jefferson
Jessamine
Johnson
Knott
Knox
Laurel
Lee

Leslie
Letcher
Lincoln
Logan
McCreary
Madison
Magoffin
Martin
Menifee
Montgomery
Morgan
Nicholas
Oldham
Owsley
Perry

- Pike
- Powell
- Pulaski
- Rockcastle
- Russell
- Scott
- Shelby
- Simpson
- Warren
- Wayne
- Whitley
- Wolfe
- Woodford

Medicaid Fraud & Abuse Control Division

Mission

Jointly funded by the state and federal governments, this Division investigates and prosecutes fraud perpetrated against Medicaid Program beneficiaries by doctors, dentists, and providers of equipment and transportation services. A separate and growing facet of the Division's mission is to investigate, and, when appropriate, prosecute abuse, neglect and exploitation of the elderly who live in Medicaid-funded facilities.

Medicaid Fraud has assumed prominence on a national level through participation in the National Association of Medicaid Fraud Control Units national training committee and multi-state settlement negotiation teams. This increased the Division's ability to remain current with updated techniques in fraud detection and protection, and to train auditors, investigators and prosecutors in how best to handle this type of case.



Significant Achievements

Biennium Scorecard

- 47 indictments, 27 convictions and 10 settlements
- Recovered \$11,936,221 (\$3,669,175 returned to state Medicaid Program)
- Recovered more than \$1-million in restitution, penalties, and administrative costs
- Over \$13-million in total recoveries

Establishment of an elder abuse tip line 1-877-ABUSE-TIP (1-877-288-7384) permitting the public to anonymously report complaints involving abuse, neglect or exploitation of the elderly.

"How to Protect Nursing Home Residents – A Guide for Taking Action Against Abuse and Neglect," the Attorney General's manual for family members and medical professionals. The first of its kind in Kentucky, this manual provides guidance in the ways to protect nursing home residents.

The Division published the Office of the Attorney General's "Prosecution Manual for Crimes Against

the Elderly." This 618-page manual details the roles of law enforcement, prosecutors, social workers, healthcare providers and others in addressing the abuse, neglect and exploitation of vulnerable adults. Since its publication, the Division's staff has trained more than 760 law enforcement officers, victim advocates, court personnel and others in the importance of preventing, investigating and prosecuting crimes against the elderly.

Prosecution of a Paducah oral surgeon who was found guilty of fraudulently billing Medicaid for services at an illegal rate.

Settlement with Omnicare, a Fortune 500 company headquartered in Covington, over allegations that it tried to avoid federally mandated drug pricing limits. Omnicare illegally switched its Medicaid patients from a drug prescribed by their doctors to a more expensive version. The settlement amount was \$3,710,226.70.

Internet Pharmacy Interdiction

In 2004, employees from several common carriers contacted the Office of the Attorney General stating they were shipping prescription drugs to Kentucky residents. Several drivers had been harassed while delivering these packages and the carriers were concerned for their drivers' safety.



In February, 2005, KBI began seizing prescription packages from out-of-state pharmacies for having an improper label on the prescription bottles.

In 2005, the Office of the Attorney General led an Internet Drug Task Force composed of professionals from the Kentucky Bureau of Investigation, Kentucky Board of Pharmacy, the Kentucky State Police, Lexington Police Department, Louisville Metro Police Department, Operation UNITE (Unlawful Narcotics Investigations, Treatment and Education), High Intensity Drug Trafficking Area (HIDTA), Drug Enforcement Administration (DEA) and the Cabinet for Health and Family Services Drug Enforcement Branch. This task force was instrumental in the passage of new laws associated with illegal out-of-state pharmacies shipping prescription drugs into Kentucky.

Highlights of 2005 Internet Pharmacy Laws

- Out-of-state pharmacies that ship more than 25 packages per month must be licensed by the Kentucky Board of Pharmacy.
- Any controlled substances shipped into Kentucky must be reported to the Kentucky All Schedule Prescription Electronic Reporting system (KASPER).
- Any pharmacy doing 25% of its business via the internet must be VIPPS (Verified Internet Pharmacy Practice Site) certified.
- Kentucky law enforcement shall seize the prescription if not legal.

From August, 2005 through January, 2007, KBI seized 1,094 illegal prescription packages from common carriers that were destined for citizens within the Commonwealth of Kentucky. Many of these packages contained highly addictive controlled substances such as, Hydrocodone and Alprazolam.

In 2007, the Attorney General's Internet Drug Task Force reconvened to strengthen the laws that were passed in 2005. Through the investigations that had been conducted since 2005, several issues needed to be addressed. This task force was once again instrumental in the passage of new laws associated with illegal out-of-state pharmacies shipping drugs into Kentucky.

Highlights of 2007 Internet Pharmacy Laws

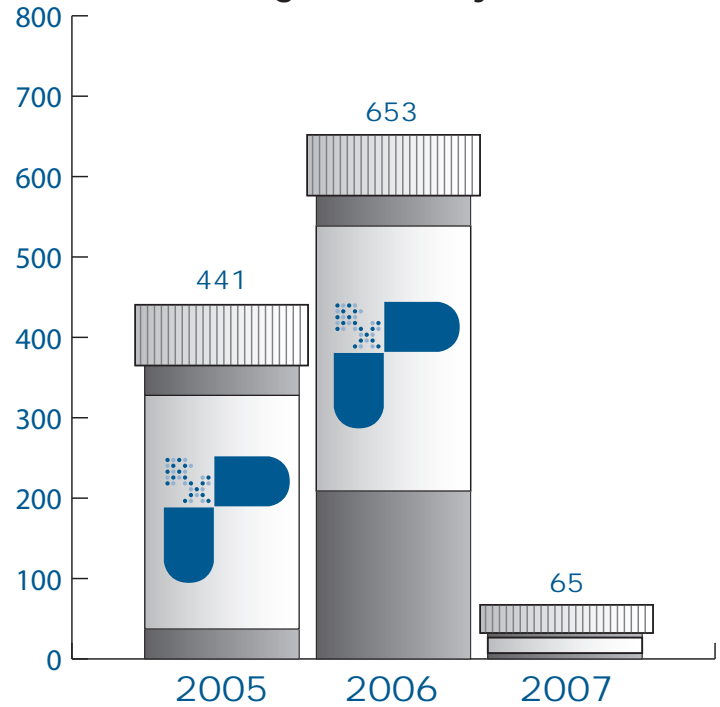
- All out-of-state pharmacies, no matter how many packages they ship, must be licensed by the Kentucky Board of Pharmacy.
- No person shall obtain a prescription for a controlled substance without having formed a valid practitioner-patient relationship from whom the person seeks to obtain the prescription.
- Practitioner must have conducted at least one (1) Good Faith Prior Examination before issuing a prescription for a controlled substance.
- Criminal Possession of a Medical Record, Theft of a Medical Record and Falsification of a Medical Record are all Class D Felony offenses.

Results

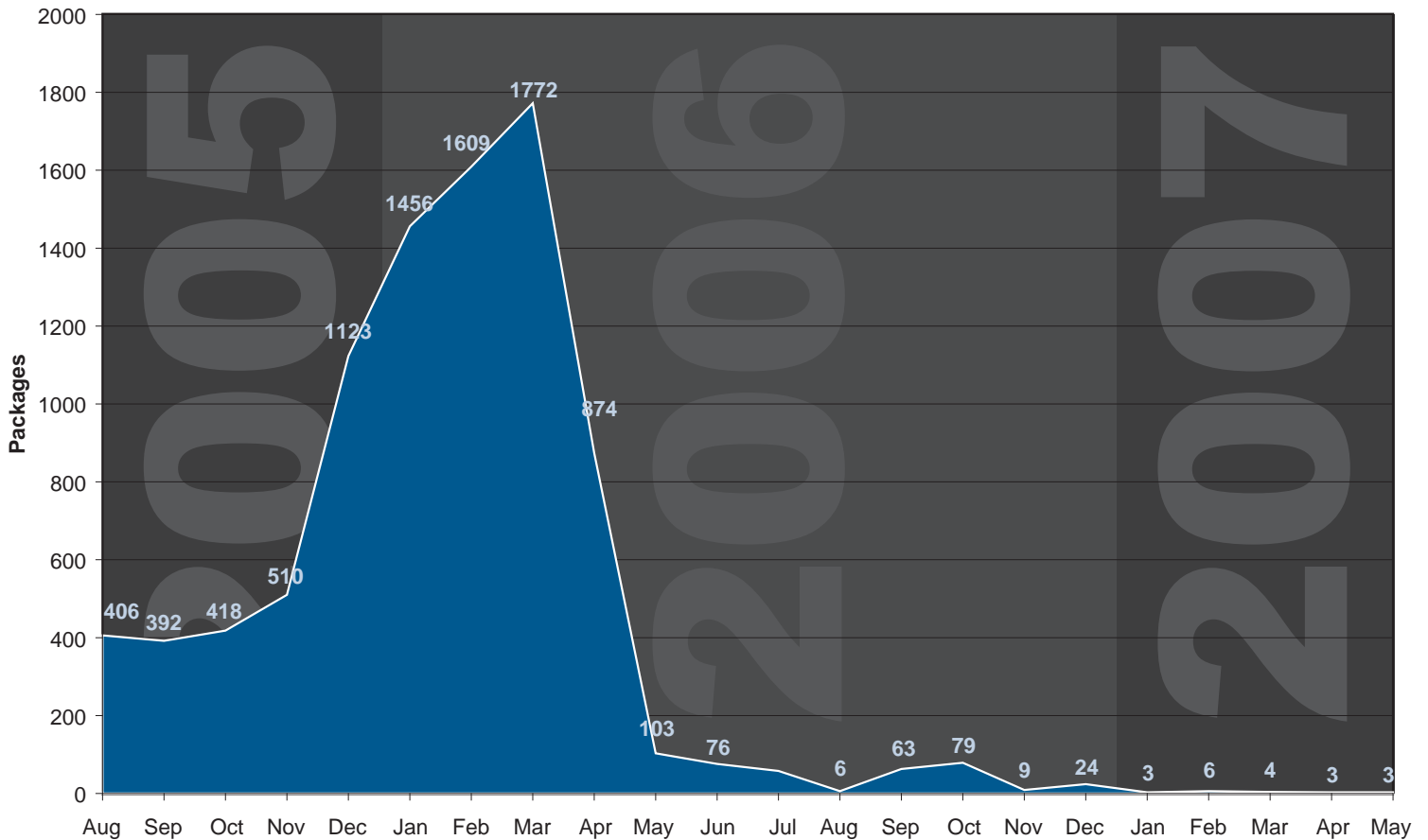
From January, 2007 through August, 2007, KBI only seized 65 illegal prescription packages from common carriers. After conducting interviews with common carrier employees, this low number has been attributed to the Kentucky laws now in effect in regards to out-of-state pharmacies. The common carriers' employees now say they are not being harassed as they were prior to the new laws that were passed.

The KBI, Drug Investigations Branch, is continuously working with the common carriers and other law enforcement agencies to keep illegal drugs out of Kentucky.

Packages Seized by KBI



Packages Shipped Using Common Carriers



Office of Consumer Protection

Mission

The Office of Consumer Protection enforces the Kentucky Consumer Protection Act to safeguard the state's consumers and combat unethical business practices. During the biennium, (July 2005-June 2007) the Office handled more than 7,250 consumer complaints. The Office recovered more than \$10.3 million for the state's consumers and taxpayers through litigation and dispute resolution services. Of this amount, consumers received more than \$8.4 million in restitution, with over \$90,000 obtained for civil penalties and the remaining \$1.875 million returned to the state, including significant monetary recoveries for the state Medicaid Program.

The Office also works hard to educate consumers about marketplace issues so they can be savvy consumers and avoid falling victim to con artists. The Office has consumer experts to counsel consumers regarding consumer related inquiries, issues Consumer Alerts and press releases and news conferences on hot topics and delivers consumer education presentations to seniors groups, schools, civic organizations and churches across the state. For example, coinciding with tax season, in 2007, the Office along with the Better Business Bureau (BBB) sponsored "Free Shred" days in Frankfort, Louisville and Florence to highlight the importance of destroying personal financial records containing personal information sought by identity thieves.

The Office also coordinates the LifeSmarts quick recall competition for high school students in conjunction with the 4-H program and Better Business Bureau. During the biennium, the Office of Consumer Protection and the Attorney General's satellite offices in Benton, Louisville, Maysville and Prestonsburg made a total of 510 presentations to 35,853 consumers.

Significant Achievements

Internet Safety Crime Prevention Efforts Focus on Education

In October, 2006, the Office of the Attorney General presented the first statewide i-Jam Internet Safety Conference in Lexington. Held during Internet Safety Awareness Week, the day long conference presented speakers and workshops designed to educate teachers, school administrators, counselors and parents about risks facing children and adults on the Internet. National and local experts addressed the topics of predators, social networking, cyber bullying and identity theft in an effort to highlight the "dark side" of the Internet and encourage audience members to incorporate Internet safety instruction in their schools. A second i-Jam was held in Bullitt County in March, 2007.

i-Shield Task Force

Building on the success of i-Jam, Attorney General Stumbo formed a statewide i-Shield Task force composed of law enforcement agencies from around the state to focus crime prevention and education efforts on Internet Safety. Utilizing materials from the non-profit Internet safety group i-Safe America, the Office of the Attorney General and Kentucky Center for School Safety expert Doris Settles reached out to law enforcement agencies and schools across the state to present exciting, informative, interactive Internet Safety Assemblies to middle and high school students. To further spread the word, the Office has created a Cybersafety section on its website with resources for crime prevention professionals and parents and distributes a bi-monthly e-Newsletter to law enforcement and educators across the Commonwealth.

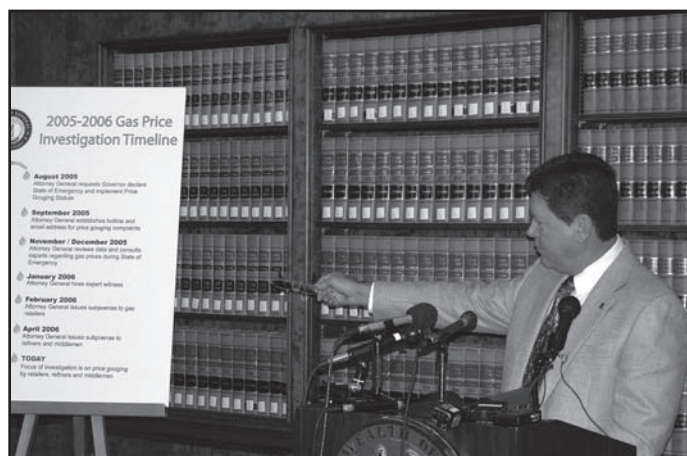
Noteworthy Cases

J.D. Byrider – Used Auto Sales

The Office of the Attorney General obtained a record \$7.4 million settlement against Louisville used car franchise J.D. Byrider and national franchisor J.D. Byrider Systems, Inc. The Attorney General sued alleging a variety of deceptive practices, including that the dealership lied to consumers in representing that cars were “certified” when in fact no certification program existed, failure to honor warranty claims and selling consumers credit insurance without authorization. Under the settlement, the defendants agreed to modify their business practices and to pay a \$500 refund or credit to more than 14,000 customers from 2000-2004.

Gasoline Price Gouging Cases

In May, 2007, the Attorney General sued Marathon Petroleum and its retail subsidiary Speedway SuperAmerica for price gouging violations related to prices charged following hurricanes Katrina and Rita in 2005. Under Kentucky law, after the declaration of a state of emergency by the Governor, no seller of gasoline or other necessary consumer products or services may increase its price “grossly in excess” of the price prior to the declaration. The Attorney General previously obtained \$57,250 in settlements from 12 gasoline retail stations for violating the state emergency price gouging law following the 2005 hurricanes. The Marathon case is currently pending in court.



Ameriquest – Predatory Lending

In a national multistate litigation Ameriquest Mortgage Company, the nation's largest sub-prime lender, agreed to pay \$295 million to consumers and make sweeping reforms of practices that the states alleged amounted to predatory lending. Ameriquest also paid a total of \$30 million to the 49 states and the District of Columbia that participated in the settlement agreement for costs of the investigation and consumer education and enforcement. The \$325 million payment ranks as the second-largest state or federal consumer protection settlement in history, after the \$484 million predatory lending agreement reached in 2002 between most states and Household Finance Corporation. The total number of Kentucky consumers eligible for restitution is 3,456. Consumers received \$888,436.49 in restitution while the state received \$125,000.

Lupron – Prescription Drug Pricing Fraud

The Office of the Attorney General recovered \$600,000 from TAP Pharmaceutical Products, Inc. (TAP) which manufactures and markets the high-priced cancer drug Lupron. The lawsuit arose out of illegal and improper marketing and sales practices on the part of TAP to inflate the price of Lupron and induce doctors to prescribe it, sometimes even bribing them. In addition to recovering funds for victims, under terms of the settlement, the \$600,000 was required to be spent for the benefit of Kentucky uterine fibroid and prostate cancer victims. The Attorney General recommended to the General Assembly that the \$600,000 be shared equally between the University of Kentucky and the University of Louisville to establish the Kentucky Center for Uterine Fibroids at UK and fund prostate cancer prevention and education work at the U of L Brown Cancer Center.

Child Support Enforcement Commission

Mission

The Child Support Enforcement Commission was established to advise the Governor on child support enforcement issues. It also serves as a forum to foster increased cooperation among the agencies involved in the delivery of child support services, and, through public education programs, promotes awareness of child support problems and issues.

Significant Achievements

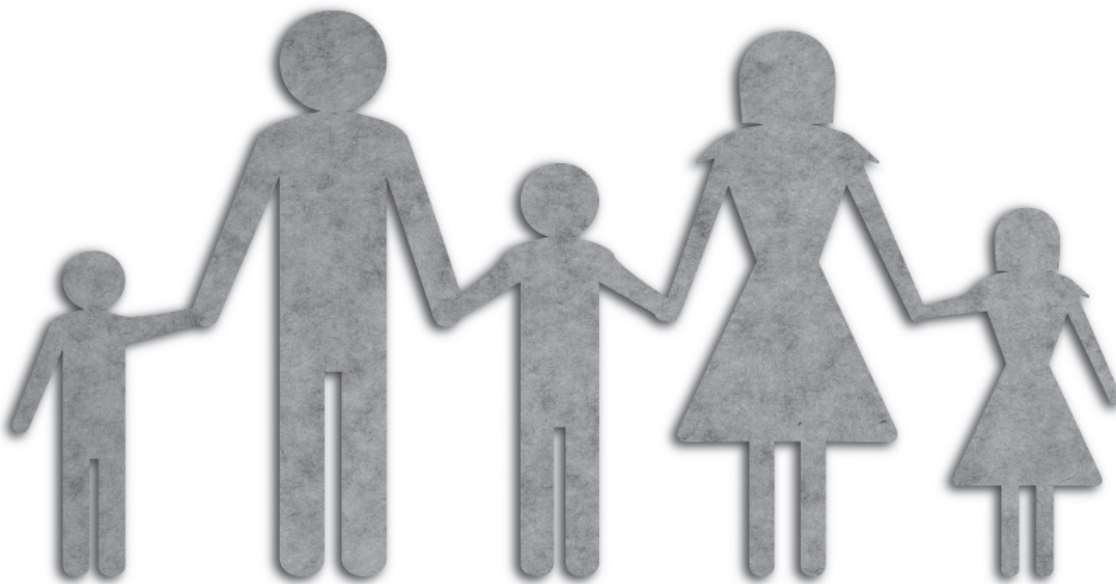
The “Most Wanted” poster campaign continued to be an effective tool in the apprehension of child support evaders. From 1994 through 2006, 51 evaders have been sought and 42 found.

In partnership with the Cabinet for Families and Children, Division of Child Support, the Commission dispatched investigators to examine claims that non-compliant parents had hidden assets, including wages paid in cash. In 2006, the Commission investigated more than 1,900 such cases.

The Commission continues to upgrade and maintain its highly successful website (www.ag.ky.gov/childsupport) which includes 24-hour access to information regarding child support issues.

Biennium Scorecard

The Commission received more than 1,800 requests seeking information or assistance in cases involving child support. Most of these inquiries required personal assistance by the Commission’s staff. A total of more than 2,900 families, including 4,000 children, received Commission help.



Office of Victims Advocacy

Mission

The Office of Victims Advocacy (VAD) provides advocates to serve victims in cases which have been referred to the Office of the Attorney General, staffs the Crime Victim Information Hotline, administers the Appellate Notification Program and provides technical assistance as requested to victim advocates and prosecutors across the Commonwealth.

Significant Achievements

The VAD plays host to an annual "Victim Assistance Conference" for service-related professionals throughout the Commonwealth. The 2006 conference was attended by 362 individuals and the 2007 conference by almost 400. This is free training that also provides continuing education credits to participants.

The VAD plays host to an annual Kentucky Crime Victims' Rights Day Rally and reception. At the 2007 rally, Attorney General Stumbo presented seven Advocate Awards ranging from judicial to prosecutor to legislative-service fields and two Lifetime Achievement Awards. Average attendance in the two years was between 375 and 400. Guest speakers have included national advocates for victims' rights such as Trisha Meili, the Central Park Jogger (2006) and Beth Holloway Twitty (2007), mother of Natalee Holloway, who disappeared during a high school graduation trip to Aruba.

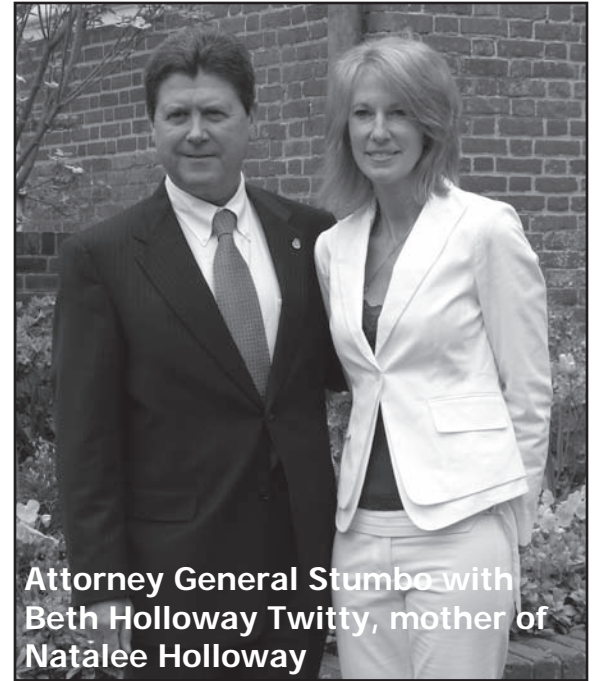
The VAD provides support and staff to both the Child Sexual Abuse & Exploitation Prevention Board and the Child Victims' Trust Fund.

The VAD administers and monitors the Victim Advocacy Program, which provides grants to subsidize the salaries of local community advocates. In 2006, it awarded 13 grants worth \$424,761.

In partnership with Mothers Against Drunk Driving (MADD) and the Kentuckians' Voice for Crime Victims (KVCV), the VAD erected a Kentucky Victims of Homicide Memorial at Resthaven Memorial Park in Louisville. An annual candlelight vigil has been held each year since the dedication.

"The constant frustration we hear from the victims is that they don't have a say, that the system seems to be protecting the accused. It's comforting to the victim's family that somebody in government is looking out for them and keeping them informed. We can't make them fully whole because of the loss they have experienced; what has been taken away from them, we can't give back. When I walk out the door every day, I can leave it here. But when the victims go home, there's somebody or something missing. For them, it's never over."

- Vickie Wise, Director Office of Victims Advocacy



Attorney General Stumbo with Beth Holloway Twitty, mother of Natalee Holloway

Biennium Scorecard

Resource and/or referral assistance was provided to approximately 49,502 individuals who contacted the VAD through the Crime Victim Information Line, e-mail, or conventionally written letters. In addition, pursuant to state law, the VAD mailed 2,417 notifications to crime victims that appeals had been filed. VAD also published Spanish language versions of its resource material.

Office of Prosecutors Advisory Council

Council Membership

The 9-member Council is appointed by the Governor and includes the Attorney General (chairperson), 3 Commonwealth's Attorneys, 3 County Attorneys and 2 citizen members.

Mission

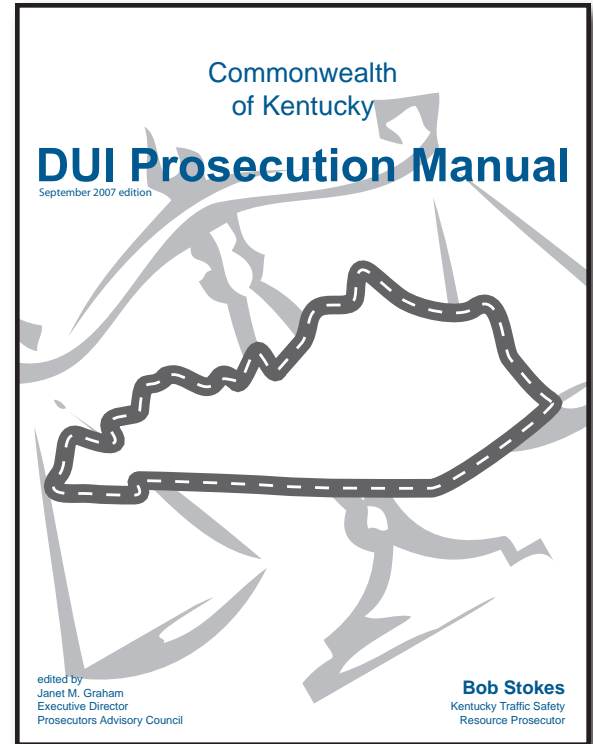
The Prosecutors Advisory Council (PAC) and the Office of the Attorney General co-sponsor the annual Kentucky Prosecutors Conference, which is usually attended by more than 650 prosecutors and law enforcement officials; provides basic training courses for newly elected Commonwealth's and County Attorneys; sponsors the Kentucky Prosecutors Institute, a week-long trial skills course for new prosecutors; presides over the financial administration of the Unified Prosecutorial System, which consists of 177 Commonwealth's and County Attorneys and their employees; and oversees the preparation of the Child Sexual Abuse Prosecution Manual and the Data Collection Report.

Significant Achievements

During this biennium, after eight years of negotiating, planning and testing, the PAC entered into an agreement to provide a case management system for prosecutors. The system is currently being tested as a pilot program in one office before being installed in the other 56 Commonwealth's Attorneys offices.

PAC works with the Office of the Attorney General to fight abuse of the elderly. The 2005 General Assembly passed the Elder Abuse Bill, which mandates the PAC to develop training on elder abuse protection for prosecutors. In addition, the PAC staff produced a training DVD on elder abuse prosecution that was distributed to all prosecutor offices in the Commonwealth at the 2006 Kentucky Prosecutors Conference.

In fiscal year 2006, the PAC, through the Office of the Attorney General, applied to the National Highway Safety Administration to obtain a grant to hire a Traffic Safety Resource Prosecutor. The Council received the grant, which is administered through the Governor's Highway Safety Program, and used it to hire Robert Stokes. On June 11-13, 2007, in Bowling Green, Stokes presented a program to police officers and prosecutors about creating a team-building approach in the detection, apprehension and prosecution of impaired drivers.



Office of Rate Intervention

Mission

The Office of Rate Intervention (ORI) represents utility rate payers' interests. The majority of the unit's activity is through participation in filings before the Public Service Commission and the Kentucky Office of Insurance. Since 1996, the agency has become increasingly involved with cases relating to health insurance rates.

Significant Achievements

In 2005, in the wake of Hurricane Katrina, the Office of Rate Intervention has been active in gasoline price gouging investigations.

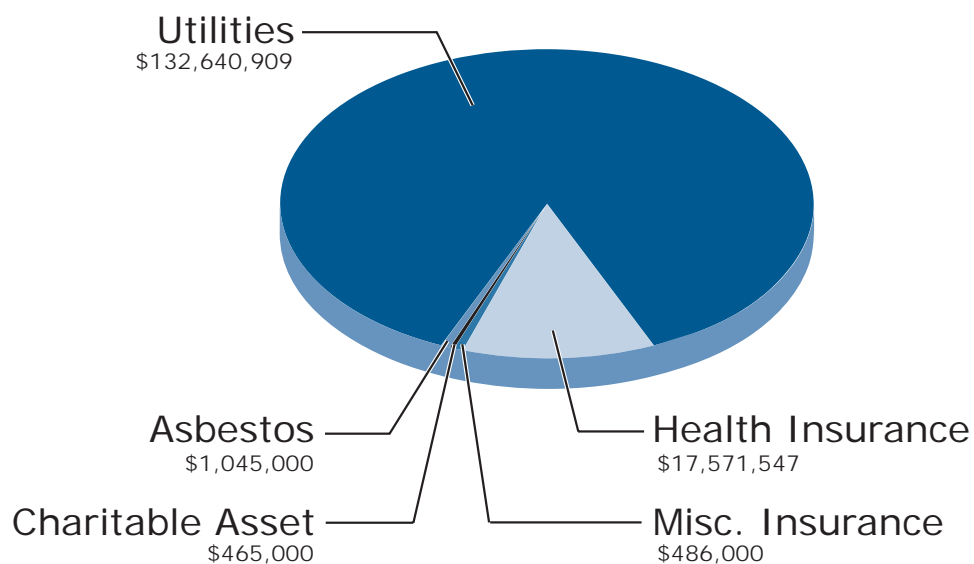
In 2006, various utility companies requested authorization for the sale of American Water Works Company, including Kentucky-American Water Company, on the open market in what would become the fourth largest initial purchase offer in U.S. history. ORI challenged the transfer of control, maintaining it would not be in the public interest. Ultimately, the transfer was approved with 39 conditions stipulated by ORI over the companies' objections.

Before the Public Service Commission, the Kentucky Power Company requested an increase of \$64.8 million. ORI negotiated a settlement with the company that reduces the increase to \$41 million.

Before the Public Service Commission, in a case where Duke Energy requested Commission approval to purchase the Union Light, Heat and Power Company, ORI negotiated a settlement that saved Union customers approximately \$9 million.

In conjunction with the Office of Consumer Protection, ORI filed suit against Marathon Petroleum, Marathon Oil, and the Speedway SuperAmerica companies that sought more than \$89 million for price-gouging of motor fuels. The outcome of that suit is still pending.

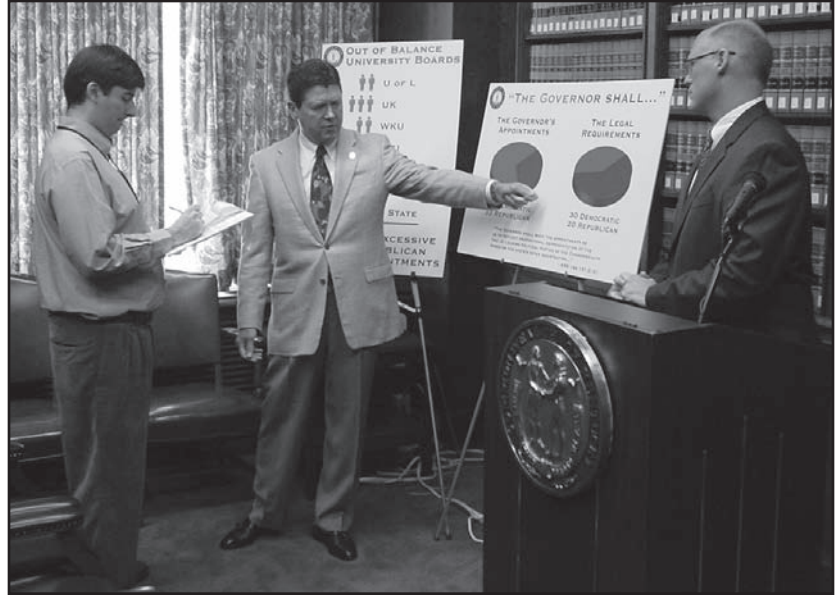
Savings to Consumers



Office of Civil & Environmental Law

Mission

The Office of Civil & Environmental Law represents the Commonwealth in a wide variety of civil and environmental matters. It also actively participates in the National Association of Attorneys General (NAAG) Environmental Section, which reviews cases and legislation that may have national significance on government efforts to protect and preserve the environment. The Uninsured Employers' Fund (UEF) of the Office is charged with ensuring that no workers' compensation claimant will be unable to receive worker's compensation benefits because of an employer's failure to obtain worker's compensation insurance.



Significant Achievements

OxyContin

On October 5, 2007, Attorney General Greg Stumbo announced the filing of a lawsuit against Purdue Pharma, the manufacturer of OxyContin, a highly addictive narcotic. The lawsuit states that Purdue Pharma misrepresented the risks of using OxyContin with tragic results. The Company sponsored training for its salespeople which contained false data regarding the potential for abuse of the medication. The drug representatives failed to provide medical professionals with accurate information about the risks inherent in prescribing the medication. The suit seeks to recover damages suffered by state and county governments related to the resulting widespread problem of addiction.

Electronic Voting Systems

In September, 2007, General Stumbo presented his investigative report to the State Board of Elections and the Kentucky Secretary of State calling for improved testing and security upgrades for Kentucky's electronic voting systems. A large number of Kentucky counties use the electronic voting systems, which are subject to nationwide lawsuits due to security flaws and defects. The system of testing and certifying such machines in Kentucky does not protect the privacy of Kentucky voters. Failure of appropriate state oversight and the use of non-certified voting machines resulted from governmental errors. The Attorney General provided an outline for a reformation of the oversight process and directions as to how to require the appropriate upgrades in security.



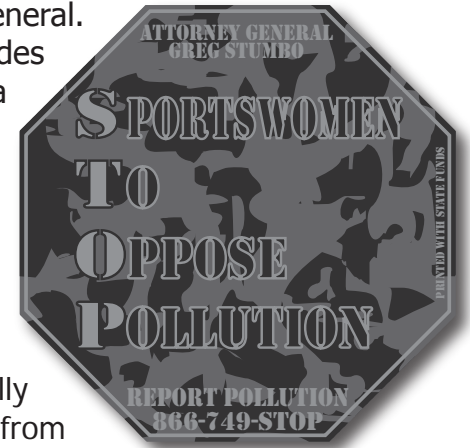
Environmental Law

In May, 2006, the Office helped organize an Environmental Enforcement Conference hosted by EPA Region 4 in Atlanta. Scott Porter, the Office's chief environmental attorney, was one of the conference's featured speakers.

In November, 2006, the Office helped develop and initiate the STOP (Sports Men and Women To Oppose Pollution) program for the Office of the Attorney General. Through the establishment of a 24-hour STOP hotline, the Office provides conservationists, hunters, fishermen, hikers, bird-watchers and others with a way to report illegal open dumping, blackwater discharges and other pollution of Kentucky's land and waterways. Since November, 2006, the STOP hotline has received numerous complaints that have been referred to the agency of primary regulation for investigation.

In December, 2006, the Office obtained indictments against the owner and operator of Dave's Concrete Products and Septic Tank Service for violation of Kentucky's Clean Water Act. The operator was caught in the act of illegally dumping raw untreated sewage into the Big Sandy River, less than a mile from the Paintsville public water intake. The indictments concluded a joint six-month investigation that also involved the Kentucky Bureau of Investigation and the Environmental and Public Protection Cabinet.

In June, 2007, the Office negotiated and reached a settlement with National Maintenance & Repair of Kentucky. The settlement agreement resolved environmental violations involving the illegal generation, storage, and shipment of hazardous waste materials. The company agreed to pay \$250,000 in penalties and fines.



University Board Appointments

Appointments to state university boards had not been made in accordance with law over the last four (4) years. The OAG filed a Petition for Declaration of Rights asking the Franklin Circuit Court to correct this error. Kentucky law requires appointments to university boards to be made in accordance with strict proportional representation based on registered voters. This action is pending.

Immigration Law

The Office of the Attorney General prepared and published an advisory for Kentucky law enforcement and circuit courts. The advisory outlines state and federal guidelines for fair and appropriate treatment of foreign nationals, including relevant legal provisions in a variety of foreign languages for use in arrests where no interpreter can be promptly provided. This document allows law enforcement to treat immigrants and visitors to the state in the manner required by law.

Tobacco Litigation

The Office of the Attorney General continues to devote substantial resources to the enforcement of the Tobacco Master Settlement Agreement (MSA) which was signed in 1998. Kentucky's participation has resulted in over \$105 million in payments to the Commonwealth each year by the participating tobacco companies. The Office successfully defended an antitrust challenge to Kentucky's tobacco statutes in federal court as well as a major challenge under the MSA to the General Tobacco settlement in Kentucky courts. Additionally, the Office has also been litigating the 2003-2005 Non-Participating Manufacturers adjustments to ensure that Kentucky receives its fair share in MSA payments.

Office of Criminal Appeals

Mission

The Office of Criminal Appeals represents the Office of the Attorney General in all criminal appeals in which the Commonwealth has an interest in both state and federal courts. In addition, the Office also advises elected prosecutors on legal issues, assists in prosecutor training, reviews the merits of appeals, requests certification by prosecutors and participates in amicus curiae brief efforts by other states.

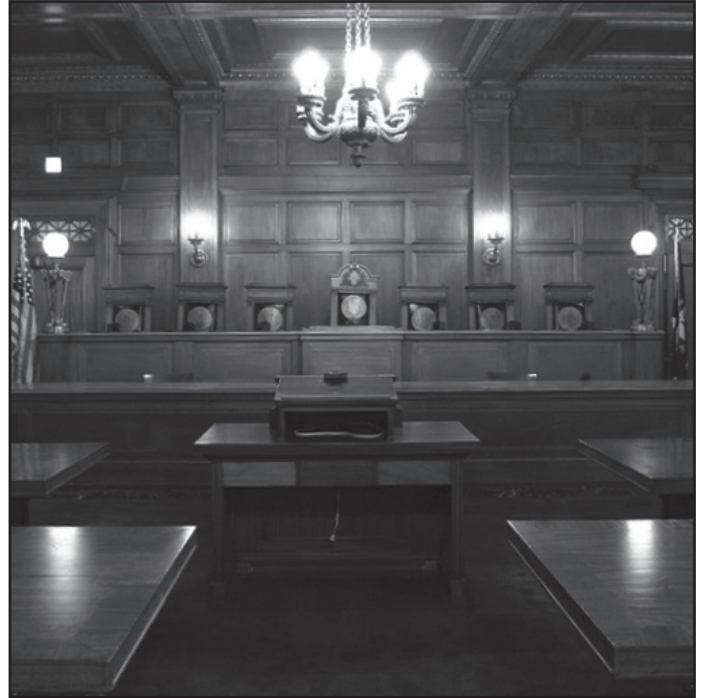
Significant Achievements

In **Commonwealth v. McKenzie**, the Kentucky Supreme Court adopted the Attorney General's argument that an indictment may be amended to add a complicity theory of liability. This is an important ruling that makes prosecution of criminal offenses involving multiple defendants more effective.

In **Commonwealth v. Sears**, the Kentucky Supreme Court ruled that a licensed medical practitioner may be prosecuted for trafficking in a controlled substance when he sold prescriptions for non-medical use. This ruling aids in the prosecution of cases involving drug abuse in Kentucky.

In **Foley v. Parker**, the death sentence of James Slaughter, a/k/a Jeffrey Leonard, was upheld.

In the biennium, the Office has enabled the Commonwealth of Kentucky to prevail in more than 85% of cases involving briefs and oral arguments before the United States Supreme Court, the Kentucky Supreme Court and the Kentucky Court of Appeals.



Biennium Scorecard

2006:

- 822 briefs filed
- 2862 issues addressed
- 35 oral arguments

2007 year-to-date:

- 795 briefs filed
- 2771 issues addressed
- 94 oral arguments

Administrative Hearings Division

Mission

The Administrative Hearings Division's two major responsibilities are (1) to maintain a pool of hearing officers, with the necessary support staff, for conducting administrative hearings for boards and agencies; and (2) to provide training in administrative hearing procedures for hearing officers. The Division itself may develop and offer the training; it may contract with appropriate organizations to provide the training; or it may approve training developed and submitted by the agencies.

Significant Achievements

The Division's Hearing Officer and Administrative Law Training Seminar drew 145 participants in 2006 and 176 participants in 2007, a two-year record total.

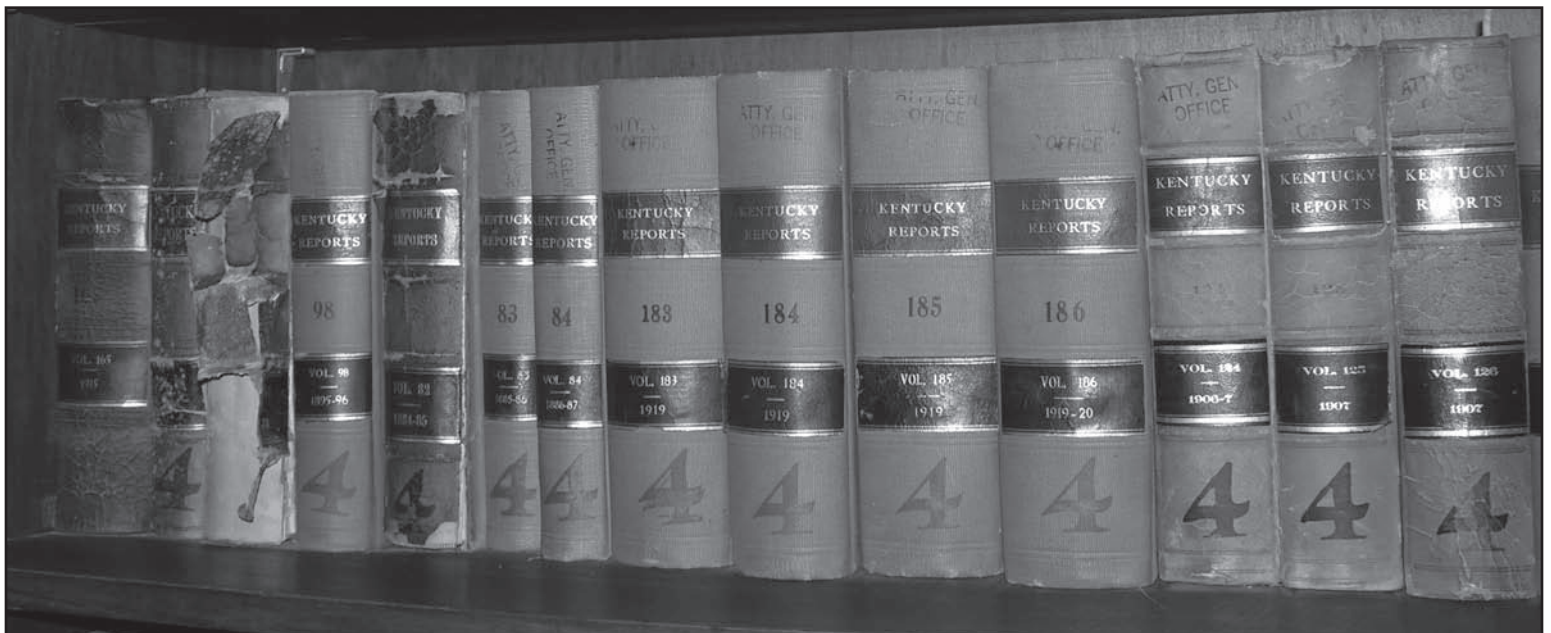
Recognizing that some cases can be more effectively resolved through mediation, the Division expanded its mediation services. The Division's mediators are hearing officers who have received specialized training in mediation.



Director Jim Gay

Biennium Scorecard

- 881 hearing requests
- 61 mediation requests
- \$669,806.25 in total hearing officer billings
- \$34,620 total income from training



Special Prosecutions Division

Mission

The Special Prosecutions Division is mandated by state statute to insure the timely appointment of special prosecutors across the state, monitor statewide elections and prosecute cases of public importance. The Division assumed prosecutorial duties in a wide variety of criminal cases, including the enforcement of Kentucky's new criminal law regulating illegal internet pharmacies, drug cases, welfare fraud, child abuse, homicide, sex crimes, economic crimes and public corruption.



Noteworthy Cases

Merit Hiring Investigation

The law provides that “no person shall be discriminated against because of political or religious opinions or affiliations or ethnic origin or sex or disability.” (KRS 18A.140)

The Office of the Attorney General enforced this law when a whistleblower found evidence of widespread violations of Kentucky’s Merit System laws. The Attorney General’s investigation spanned a two year period and resulted in a settlement in which Governor Fletcher acknowledged “that the investigation and prosecution have benefited the Commonwealth and ensured that abuses of the state’s merit system will be eliminated.” The Attorney General and the Governor agreed to reconstitute the Personnel Board and protect employees adversely affected by the violations of law. This case ensures job protections for more than thirty thousand state government employees.

Commonwealth vs. Justin Keith Conley (Knott Circuit Court)

The defendant was indicted for the murder of his 18-year-old girlfriend, a former prom queen at Allen County High School who had been deaf since birth. The trial was held in April and May of 2006. Rejecting a plea of insanity, the jury found the defendant guilty of murder and tampering with physical evidence. He was sentenced to life in prison.

Commonwealth vs. Jeffrey Scott Elliott (Mason Circuit Court)

The defendant was indicted for financial exploitation of an elderly adult, the victim being an older man for whom he did odd jobs in Maysville. The victim suffered from Alzheimer’s disease, had no family in the area, and lived alone beyond the time he was capable of doing so. The defendant pled guilty to the Class C felony in September, 2006, and was sentenced to six years in prison.

Commonwealth vs. James Crews (Mercer Circuit Court)

The defendant, a farmer who owned nearly \$2 million in assets, was indicted for the murder of a young night watchman at a Harrodsburg tobacco warehouse, apparently the result of a scheme to steal tobacco to compensate for his poor crop. At the end of a jury trial in May, 2007, the defendant was found guilty of murder. He was sentenced to 50 years in prison and ordered to pay \$22,000 to the Boyle County jail for the expenses incurred during his pretrial incarceration.

Commonwealth vs. William H. Meece (Warren Circuit Court)

The defendant and his co-defendant, Meg Wellnitz Appleton, were charged with killing Appleton's mother, adoptive father, and brother in order for Meg to inherit her parents' estate. Appleton pled guilty to capital murder and received a sentence of life without parole for 25 years. Meece, who was the triggerman, originally accepted the same offer, but was allowed to withdraw his plea and proceed to trial. A jury found the defendant guilty on three counts of capital murder, first-degree burglary and first-degree robbery, and he was subsequently sentenced to death for each count of murder and 20 years on the burglary and robbery charges, consecutive. The case is currently on appeal to the Kentucky Supreme Court.

Jessica Currin Murder Prosecution (Graves County)

On July 30, 2000, 18 year-old Jessica Currin of Mayfield was sexually assaulted and brutally murdered. The OAG, at the parents' request, joined the ongoing investigation in late 2005, which had continued for many months. In March, 2007, the Division sought and received an indictment from the Graves County Grand Jury charging five individuals in connection with Currin's murder.



**Attorney General Stumbo and
Special Prosecutions Division
Director Scott Crawford-Sutherland**

Field Offices

To increase access to the Office of the Attorney General throughout the Commonwealth, Attorney General Stumbo opened four field offices. Satellite offices operate in Benton, Maysville, Prestonsburg and Shively. Each office employs a full-time staff member to assist citizens with all services of the Office of the Attorney General. In addition, the office in Prestonsburg is staffed with a full-time sworn agent of the KBI who focuses primarily on narcotics investigations.



Prestonsburg Field Office

361 N. Lake Drive
Prestonsburg, KY 41653
(606) 889-1821

Benton Field Office

80 Judicial Drive #120
Benton, KY 42025
(270) 252-3344

Maysville Field Office

220 Sutton Street
Maysville, KY 41093
(606) 564-5524

Shively Field Office

Shively Municipal Building
3920 Dixie Highway, Second Floor
Louisville, KY 40216
(502) 447-4160



Office of the Attorney General

700 Capitol Avenue, Suite 118 • Frankfort, Kentucky 40601
502-696-5300 • www.ag.ky.gov

The OAG does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or in the provision of services and provides upon request, reasonable accommodation necessary to afford all individuals with disabilities an equal opportunity to participate in all programs and activities.

Printed with State Funds

